

# Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.



141  
18M34  
pg. 2

MTS-181

MAY 1971

# MARKETING & TRANSPORTATION Situation



U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
RECEIVED

APR 19 1972

PROCUREMENT SECTION  
CURRENT SERIAL RECORDS

# MARKET FACTS

Item	Unit or base : period	1970				1971
		Year	1st qtr.	3rd qtr.	4th qtr.	1st qtr.
Farm-Retail Price Spreads: <u>1/</u>						
Retail cost .....	Dol.	1,225	1,225	1,234	1,214	1,218
Farm value .....	Dol.	480	507	482	448	466
Farm-retail spread .....	Dol.	745	718	752	766	752
Farmer's share of retail cost .....	Pct.	39	41	39	37	38
Retail Prices: <u>2/</u>						
All goods and services (CPI) .....	1967=100	116.3	113.9	117.0	118.6	119.5
All food .....	1967=100	114.9	114.0	115.8	115.2	116.1
Food at home .....	1967=100	113.7	113.2	114.4	113.4	114.1
Food away from home .....	1967=100	119.9	116.9	121.0	122.4	123.9
Wholesale Prices: <u>2/</u>						
Food <u>3/</u> .....	1967=100	113.2	114.9	114.0	111.8	113.9
Cotton products .....	1967=100	105.6	105.3	105.5	106.3	107.5
Woolen products .....	1967=100	99.5	101.1	99.1	97.5	95.4
Agricultural Prices:						
Prices received by farmers .....	1967=100	110	114	109	107	110
Prices paid by farmers, interest, taxes and wage rates .....	1967=100	114	113	115	115	118
Prices of Marketing Inputs:						
Containers and packaging materials .....	1967=100	108	107	108	110	
Fuel, power, and light .....	1967=100	108	103	109	115	
Services <u>4/</u> .....	1967=100	120	116	122	124	
Hourly Earnings:						
Food marketing employees <u>5/</u> .....	Dol.	3.03	2.96	3.04	3.10	
Employees, private nonagricultural sector <u>2/</u> .....	Dol.	3.23	3.15	3.26	3.29	3.35
Farmers' Marketings and Income:						
Physical volume of farm marketings .....	1967=100	103	94	103	122	
Cash receipts from farm marketings <u>6/</u> ..	Bil. dol.	48.7	49.0	48.8	48.0	48.8
Farmers' realized net income <u>6/</u> .....	Bil. dol.	15.8	16.5	15.7	14.9	14.6
Industrial Production: <u>7/</u>						
Food manufacturers .....	1967=100	107.1	107.8	106.8	106.4	
Textile mill products .....	1967=100	104.0	106.7	102.6	102.3	
Apparel products .....	1967=100	95.0	96.5	95.1	93.9	
Tobacco products .....	1967=100	101.1	99.0	102.9	101.8	
Retail Sales: <u>8/</u>						
Food stores .....	Mil. dol.	81,446	20,008	20,435	20,714	
Eating and drinking places .....	Mil. dol.	27,919	6,752	7,020	7,167	
Apparel stores .....	Mil. dol.	20,455	4,959	5,069	5,308	
Consumers' Per Capita Income and Expenditures: <u>9/</u>						
Disposable personal income .....	Dol.	3,344	3,261	3,379	3,389	3,466
Expenditures for goods and services ...	Dol.	3,011	2,956	3,033	3,048	3,125
Expenditures for food .....	Dol.	558	548	560	566	567
Expenditures for food as percentage of disposable income .....	Pct.	16.7	16.8	16.6	16.7	16.4

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in whole-sale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

# MARKETING AND TRANSPORTATION SITUATION

## CONTENTS

	Page
Summary .....	3
Farm-Food Market Basket Statistics .....	3
Revised Price Indexes of Intermediate Goods and Services .....	10
Changes in Food Wholesaling .....	15
Federal Income and Business Taxes Paid by U.S. Food Marketing Corporations .....	22
Quarterly Data for the Market Basket of Farm Foods .....	25

• • •

Approved by  
The Outlook and Situation Board  
and Summary released  
May 10, 1971

Principal contributors  
Henry Badger  
Denis Dunham

Marketing Economics Division

Economic Research Service

U.S. Department of Agriculture  
Washington, D.C. 20250

• • •

The *Marketing and Transportation Situation* is published  
in February, May, August, and November.

## SUMMARY

Increased pressure from rising costs for labor and other inputs purchased by marketing firms may increase the marketing spread for U.S. farm foods as 1971 progresses. Returns to farmers for these foods may strengthen into summer but may weaken seasonally late in the year. As a result, retail prices may rise moderately in the next few months. For the year, retail prices are expected to average around 2 percent above 1970.

Retail food prices edged higher in the first quarter of 1971 following a slight decline in the fourth quarter of 1970. The retail cost of a market basket of foods produced on U.S. farms rose to an annual rate of \$1,218, up 0.4 percent from the preceding quarter. Most of the increase occurred in March. However, the retail cost of the market basket in the first quarter averaged 0.6 percent lower than a year earlier.

Gross returns to farmers (farm value) for market basket foods averaged \$466 (annual rate) in the first quarter—up 4 percent from the fourth quarter of 1970. Increases were general but those for fresh vegetables, hogs, and beef cattle contributed most. Even though gross returns increased, they were 8 percent below the record level of the first quarter of 1970. Prices for hogs, frying chickens, eggs and fresh vegetables were significantly lower than a year earlier.

The marketing spread—the difference between the retail cost and farm value of the market basket—averaged \$752 in the first quarter, 1.8 percent less than in the preceding quarter. Marketing spreads declined as the retail cost of foods rose less than the farm value. First quarter marketing spreads averaged 4.7 percent above a year earlier.

Farmers received an average of 38 cents of the dollar consumers spent for farm foods in the first quarter. This was 1 cent more than in the previous quarter but 3 cents less than a year earlier.

## FARM-FOOD MARKET BASKET STATISTICS

Consumers paid an average of \$1,218 (annual rate) in the first quarter for the market basket of foods produced on U.S. farms—0.4 percent more than the previous quarter (table 1 and fig. 1).<sup>1</sup> This increase followed a slight decline in the final quarter last year. Retail costs of most product groups increased but there were decreases for meat products, eggs, and fresh fruits. Meat products decreased as lower prices for pork more than offset higher prices for beef. Retail prices for market basket foods rose slightly in February but jumped in March for the largest monthly increase since December 1969. Retail prices for market basket foods had trended downward from last July to January (table 2).

<sup>1</sup>The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include cost of meals in eating places, imported foods, seafoods or other foods not of farm origin. The *farm value* is the gross return to farmers for the farm products equivalent to foods in the market basket. The *farm-retail spread*—difference between the retail cost and farm value—is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.



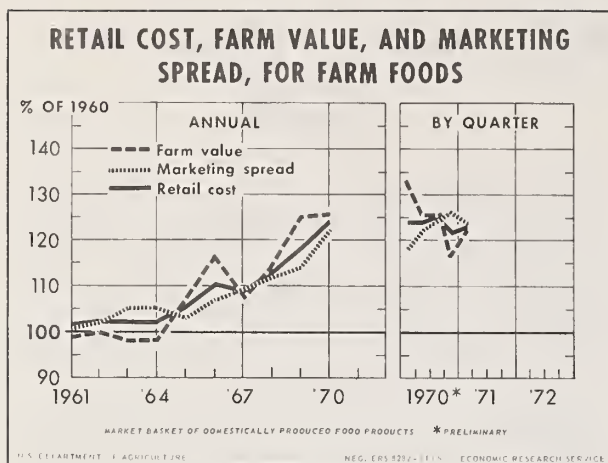


Figure 1

The retail cost of market basket foods averaged 0.6 percent lower in the first quarter this year than a year earlier. Substantial decreases for pork, eggs, and fresh vegetables more than offset sharp increases for most other market basket foods. Price increases for fat and oil products, fresh fruits, and bakery and cereal products were greater than recent average year-to-year increases.

Retail prices of farm foods in the past few years have increased less than prices of most other goods and services purchased by consumers. Consumers paid 13 percent more for market basket foods in the first quarter of 1971 than in 1967 compared with an increase of 19 percent for all other items purchased, as measured by the Consumer Price Index.

**Farm Value:** Returns to farmers for foods in the market basket averaged \$466 (annual rate) in the first quarter, 4 percent above the previous quarter. Increases were greatest for fresh vegetables, particularly salad vegetables, such as cabbage, lettuce, tomatoes, and green peppers (table 1). Prices for hogs, beef cattle, and soybeans also increased significantly.

Compared with the record level of a year earlier, the first quarter farm value was down 8 percent. Sharply lower prices for hogs, frying chickens, eggs, and some fresh vegetables contributed to the decrease. Although modest for most other products, increases in returns to farmers were greatest for fat and oil products and fresh fruits.

Farm value for market basket foods in the first quarter averaged 13 percent above 1967.

**Farm-Retail Spread:** The marketing system absorbed most of the first quarter rise in returns to farmers for market basket foods. As a result, the farm-retail spread in the first quarter averaged \$752—1 percent smaller than in the previous quarter, as the retail cost of these foods rose less than the farm value did.

Meat products contributed most to the decrease in the spread from the fourth to the first quarter. As often

happens when farm prices for meat animals rise rapidly, increases in retail prices of meat lagged increases at the farm level, and marketing spreads decreased. Marketing spreads also decreased for poultry and fresh vegetables, but they increased for most other products.

Despite the decrease in the first quarter, marketing spreads for farm foods were 4.8 percent more than a year earlier. Last year spreads increased dramatically each quarter. As a result, the 7 percent increase for 1970 was the largest in almost 20 years.

**Farmer's Share:** Farmers received an average of 38 cents of the dollar consumers spent for domestic farm foods in retail stores during the first quarter. This share was 1 cent more than in the previous quarter, but was 3 cents below the first quarter of 1970.

In the past decade the farmer's share has ranged from 36 to 39 cents in three-fourths of the quarters. For the other fourth, the share ranged from 40 to 42 cents.

**Outlook:** Retail prices of foods from U.S. farms may rise moderately from the first quarter level in the next few months. But prices will probably stabilize before year-end. Returns to farmers are expected to strengthen into the summer, but may decline seasonally this fall. As a result, the farm value of market basket foods may average about the same as last year. Rising costs of labor and other inputs purchased by marketing firms will pressure marketing margins in coming months, but the average annual increase probably will be modest when compared with last year's 7 percent increase. If marketing spreads rise as expected, retail prices of market basket foods may average around 2 percent higher in 1971 than in 1970. This compares with a rise of about 4½ percent last year.

## Commodity Highlights

**Pork:** During the first quarter of this year, prices and margins for pork were highly variable. Despite large supplies of hogs (20 percent larger in the first quarter this year), winter weather hampered marketings, boosting hog prices substantially in February. Prices dropped sharply again in March.

The retail price of pork averaged 69.2 cents per pound in the first quarter—down 2.1 cents from the previous quarter and 12.6 cents from a year earlier (table 3 and figure 2). In contrast, the farm value of pork increased 2.1 cents from the previous quarter but averaged 17.6 cents below a year earlier. As a result, the farm-retail spread for pork decreased 4.2 cents from the previous quarter but stood 5 cents above the first quarter of 1970. The farm-carass spread accounted for most of the first quarter decrease in the overall spread. Despite the decrease, both the farm-carass and carcass-retail spread averaged considerably above a year earlier.

**Beef:** Continued strong demand in the first quarter lifted beef prices to near-record levels although

Table 1.--The market basket of farm foods by product group: Retail cost, farm value, and farm-retail spread, January-March 1971, October-December 1970, and January-March 1970.

Items	January- March 1971	October- December 1970	January- March 1970	Change: Jan.-Mar. 1971 from			
				Oct.-Dec. 1970		Jan.-Mar. 1970	
	Dol.	Dol.	Dol.	Dol.	Pct.	Dol.	Pct.
Retail cost 1/							
Market basket .....	1,218.32	1,214.00	1,225.13	4.32	.4	-6.81	-.6
Meat products .....	361.50	366.00	377.30	-4.50	-1.2	-15.80	-4.2
Dairy products .....	222.52	221.33	215.62	1.19	.5	6.90	3.2
Poultry .....	48.91	48.23	51.22	.68	1.4	-2.31	-4.5
Eggs .....	40.86	41.33	54.05	-.47	-1.1	-13.19	-24.4
Bakery and cereal products .....	189.04	187.00	180.49	2.04	1.1	8.55	4.7
Fresh fruits .....	48.88	49.07	45.73	-.19	-.4	3.15	6.9
Fresh vegetables ..	77.85	75.07	83.21	2.78	3.7	-5.36	-6.4
Processed fruits and vegetables ..	129.52	128.44	125.41	1.08	.8	4.11	3.3
Fats and oils .....	43.43	42.19	38.91	1.24	2.9	4.52	11.6
Miscellaneous products .....	55.81	55.34	53.19	.47	.8	2.62	4.9
Farm value 2/							
Market basket .....	465.91	448.12	506.73	17.79	4.0	-40.82	-8.1
Meat products .....	187.17	174.63	220.10	12.54	7.2	-32.93	-15.0
Dairy products .....	106.97	105.86	104.80	1.11	1.0	2.17	2.1
Poultry .....	22.67	21.29	24.84	1.38	6.5	-2.17	-8.7
Eggs .....	23.74	24.90	36.20	-1.16	-4.7	-12.46	-34.4
Bakery and cereal products .....	36.12	36.42	34.78	-.30	-.8	1.34	3.9
Fresh fruits .....	14.38	14.67	12.31	-.29	-2.0	2.07	16.8
Fresh vegetables ..	26.43	21.10	28.08	5.33	25.3	-1.65	-5.9
Processed fruits and vegetables ..	24.78	25.26	24.96	-.48	-1.9	-.18	-.7
Fats and oils .....	13.64	14.02	10.82	-.38	-2.7	2.82	26.1
Miscellaneous products .....	10.01	9.97	9.84	.04	.4	.17	1.7
Farm-retail spread							
Market basket .....	752.41	765.88	718.40	-13.47	-1.8	34.01	4.7
Meat products .....	174.33	191.37	157.20	-17.04	-8.9	17.13	10.9
Dairy products .....	115.55	115.47	110.82	.08	.1	4.73	4.3
Poultry .....	26.24	26.94	26.38	-.70	-2.6	-.14	-.5
Eggs .....	17.12	16.43	17.85	.69	4.2	-.73	-4.1
Bakery and cereal products .....	152.92	150.58	145.71	2.34	1.6	7.21	4.9
Fresh fruits .....	34.50	34.40	33.42	.10	.3	1.08	3.2
Fresh vegetables ..	51.42	53.97	55.13	-2.55	-4.7	-3.71	-6.7
Processed fruits and vegetables ..	104.74	103.18	100.45	1.56	1.5	4.29	4.3
Fats and oils .....	29.79	28.17	28.09	1.62	5.8	1.70	6.1
Miscellaneous products .....	45.80	45.37	43.35	.43	.9	2.45	5.7

1/ Retail cost of average quantities purchased annually per household in 1960-61 by urban wage earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics.

2/ Payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing.

Table 2.--The market basket of farm foods: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, averaged 1947-49 and 1957-59, annual 1961-70, monthly 1970-71 1/

Year and month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	Dollars	Dollars	Dollars	Percent
Average:				
1947-49 .....	890	441	449	50
1957-59 .....	983	388	595	39
1961 .....	997	380	617	38
1962 .....	1,006	384	622	38
1963 .....	1,013	374	639	37
1964 .....	1,014	374	640	37
1965 .....	1,038	408	630	39
1966 .....	1,095	443	652	40
1967 .....	1,080	414	666	38
1968 .....	1,118	435	683	39
1969 .....	1,174	478	696	41
1970 <u>2/</u> .....	1,225	480	745	39
1970 <u>3/</u>				
January .....	1,223	502	721	41
February .....	1,229	509	720	41
March .....	1,224	510	714	42
April .....	1,226	487	739	40
May .....	1,226	485	741	40
June .....	1,228	480	748	39
July .....	1,236	498	738	40
August .....	1,236	476	760	39
September .....	1,231	472	759	38
October .....	1,221	459	762	38
November .....	1,208	448	760	37
December .....	1,213	437	776	36
1971 <u>2/ 3/</u>				
January .....	1,212	449	763	37
February .....	1,215	473	742	39
March .....	1,228	476	752	39
April .....				
May .....				
June .....				
July .....				
August .....				
September .....				
October .....				
November .....				
December .....				

1/ Retail cost of average quantities purchased annually per household in 1960-61 by urban wage-earner and clerical-worker families and single workers living alone, calculated from retail prices collected by the Bureau of Labor Statistics. Data for earlier years are published in Farm-Retail Spreads for Food Products 1947-64, ERS-226, April 1965. 2/ Preliminary. 3/ Annual rates.



Table 3.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annual 1968-70, quarterly 1970-71

Date	Retail price	Carcass	Gross:	Byproduct	Net	Farm-retail spread		Farmer's	
	per pound	value	farm	allowance	farm	Carcass-	Farm-	share	
	1/	2/	3/	4/	5/	Total	retail	Carcass	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade									
1968 .....	86.6	63.1	60.5	3.8	56.7	29.9	23.5	6.4	65
1969 .....	96.3	68.7	66.9	4.7	62.2	34.1	27.6	6.5	65
1970 .....	98.7	68.3	66.3	4.7	61.6	37.1	30.4	6.7	62
1970									
Jan.-Mar. . .	98.2	68.6	66.4	5.0	61.4	36.8	29.6	7.2	63
Apr.-June . .	99.4	69.3	68.2	4.9	63.3	36.1	30.1	6.0	64
July-Sept. . .	100.0	70.3	68.0	4.6	63.4	36.6	29.7	6.9	63
Oct.-Dec. . .	97.4	64.9	62.4	4.5	57.9	39.5	32.5	7.0	59
1971									
Jan.-Mar. . .	100.3	72.8	69.1	4.2	64.9	35.4	27.5	7.9	65
Apr.-June . .									
July-Sept. . .									
Oct.-Dec. . .									
Pork									
1968 .....	67.4	51.7	36.7	2.2	34.5	32.9	15.7	17.2	51
1969 .....	74.3	58.5	45.5	3.2	42.3	32.0	15.8	16.2	57
1970 .....	78.0	58.7	42.9	3.4	39.5	38.5	19.3	19.2	51
1970									
Jan.-Mar. . .	81.8	64.7	52.3	4.1	48.1	33.7	17.1	16.6	59
Apr.-June . .	80.0	60.6	45.4	3.5	41.9	38.1	19.4	18.7	52
July-Sept. . .	79.0	58.0	43.0	3.3	39.7	39.3	21.0	18.3	50
Oct.-Dec. . .	71.3	51.5	30.8	2.4	28.4	42.9	19.8	23.1	40
1971									
Jan.-Mar. . .	69.2	50.1	33.2	2.7	30.5	38.7	19.1	19.6	44
Apr.-June . .									
July-Sept. . .									
Oct.-Dec. . .									
Lamb, Choice grade									
1968 .....	93.6	68.2	60.0	6.4	53.6	40.0	25.4	14.6	57
1969 .....	102.2	74.8	66.9	7.6	59.3	42.9	27.4	15.5	58
1970 .....	107.5	73.8	65.2	6.3	58.9	48.6	33.7	14.9	55
1970									
Jan.-Mar. . .	106.7	73.6	68.0	7.9	60.1	46.6	33.1	13.5	56
Apr.-June . .	107.2	73.5	65.4	6.5	58.9	48.3	33.7	14.6	55
July-Sept. . .	108.5	75.0	65.9	5.6	60.3	48.2	33.5	14.7	56
Oct.-Dec. . .	108.5	73.3	61.3	5.5	55.8	52.7	35.2	17.5	51
1971									
Jan.-Mar. . .	109.1	69.0	58.9	6.0	52.9	56.2	40.1	16.1	48
Apr.-June . .									
July-Sept. . .									
Oct.-Dec. . .									

1/ Estimated weighted average price of retail cuts. 2/ For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb. of carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb. 3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproducts. 5/ Gross farm value minus byproduct allowance.

## RETAIL PRICE, FARM VALUE, AND MARKETING SPREAD, FOR PORK

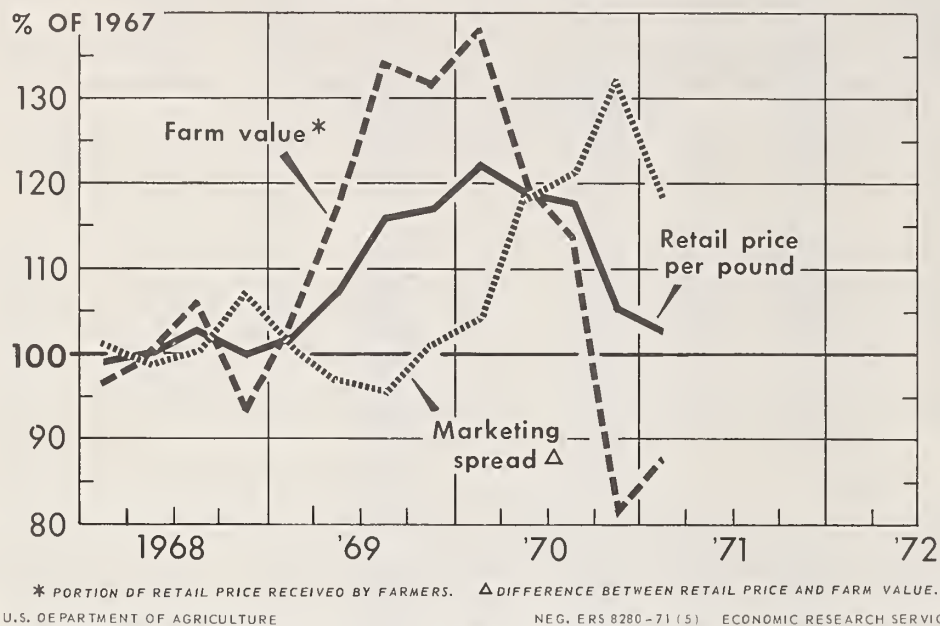


Figure 2

## RETAIL PRICE, FARM VALUE, AND MARKETING SPREAD, FOR CHOICE BEEF

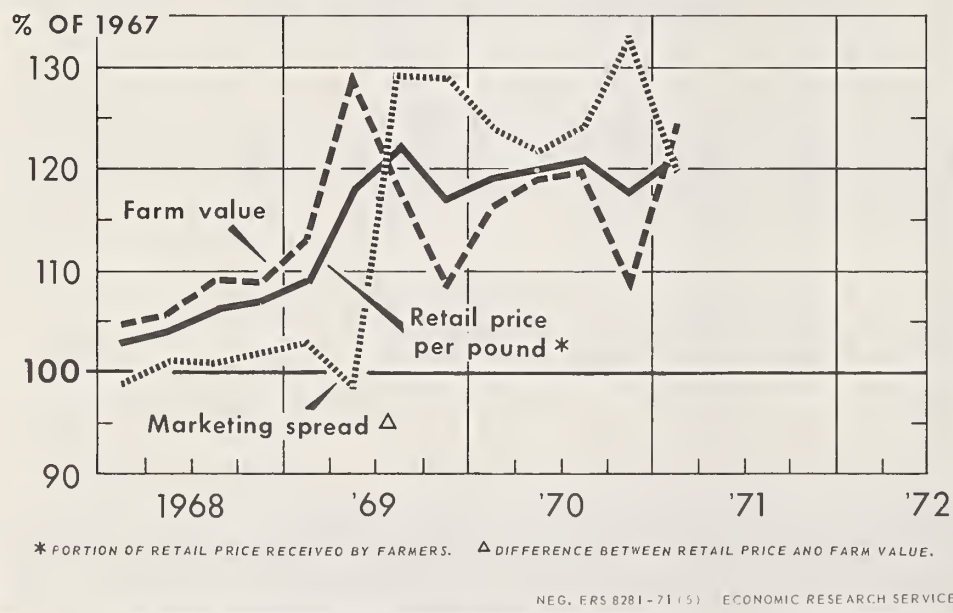


Figure 3

marketing spreads decreased slightly from the high level of the fourth quarter of 1970. The retail price of Choice beef averaged 100.2 cents per pound in the first quarter—up 2.9 cents from the final quarter of last year (table 3 and figure 3). The farm value increased 7.0 cents. Because this rise was only partially reflected at retail, the farm-retail spread decreased. The spread averaged 35.4 cents in the first quarter, 4.1 cents below the previous quarter's record level. The spread for marketing Choice beef has fluctuated in this 35-39 cent range since mid-1969. Immediately before then, spreads averaged about 30 cents. The decrease from the fourth quarter was in the carcass-retail spread which is primarily the retailer's margin. The farm-carcass spread, primarily the packer's margin, increased slightly.

*Eggs:* Production of eggs in the first quarter ran almost 4 percent more than a year earlier. This, along with an apparent reduction in demand, caused prices at both the farm and retail level to drop sharply, but farm-retail spreads averaged near the year-earlier level.

Retail prices for Grade A large eggs in the first

quarter averaged 56.7 cents per dozen—18.3 cents below a year earlier. Returns to producers averaged 32.9 cents—down 17.3 cents (table 14). As a result, the farm-retail spread averaged 23.8 cents in the first quarter, only 1 cent from the record reached in the first quarter last year. In each quarter last year, the spread for eggs averaged about 2 cents per dozen above 1969 levels.

*Fresh Vegetables:* The farm value of fresh vegetables increased 25 percent in the first quarter of 1971 over the previous quarter. About half of this increase was reflected at retail. Marketing spreads for fresh vegetables usually change directly with changes in farm value. But this time the marketing spread decreased as the farm value gained.

Compared with the first quarter of last year, marketing spreads and prices at both the farm and retail levels were lower despite the significant increase in farm value in the first quarter. Returns to farmers and retail prices were down from a year ago for all vegetables except lettuce which registered sharp increases.

### MONTHLY SUPPLEMENT ON PRICE SPREADS

Beginning in June, a 2 page monthly supplement to the *Marketing and Transportation Situation* entitled, "Price Spreads for Farm Foods", will be issued. The supplement will report monthly price spreads for the market basket of farm foods and selected individual products such as beef and pork. Requests to receive the supplement should be made to:

U.S. Department of Agriculture  
Economic Research Service  
Marketing Economics Division  
500 12th St., S.W.  
Room 212  
Washington, D.C. 20250



# REVISED PRICE INDEXES OF INTERMEDIATE GOODS & SERVICES BOUGHT BY FOOD MARKETING FIRMS

Jeannette Findlay  
Marketing Economics Division

**ABSTRACT:** *The index of prices of intermediate goods and services bought by food marketing firms has been reweighted with purchase values in 1963. Some additional items are included. There has been a shift in relative importance to materials with a slower price rise—from coal to other fuels, from metal, glass, wood and textile containers to paper products and plastic packaging. As a consequence the revised index rises more slowly than did the index with 1947 weights. Services have increased in relative importance since 1947. Prices of goods and services rose considerably more in 1970 than in other recent years.*

**KEY WORDS:** *Intermediate goods, services, purchase costs, prices, farm food marketing.*

Food processors, wholesalers, retailers, and away-from-home eating places buy a wide array of goods and services from nonfarm businesses not directly engaged in marketing food products. These intermediate goods and services include all goods except raw materials and plant and equipment and all services except those performed by employees. They constitute almost a quarter of the bill for marketing farm foods.<sup>2</sup> Intermediate goods include fuels, packaging materials, office and restaurant supplies, automotive supplies and equipment, and many other items. Services include rent, laundry and cleaning, banking and insurance, and building and other repair work. Over time, purchases of these inputs shift in importance, and the prices change. The index of prices of intermediate goods and services is essentially a weighted average index of wholesale prices for selected goods and services purchased by marketing firms.

## Trends in Prices

In 1970, prices of intermediate goods and services purchased by food marketing firms rose by 6 percent, or twice the average rate of recent years (table 4). The biggest increase was 9 percent in fuel, power, and light costs, which had been stable for many years. The total goods index rose 5 percent in 1970, equaling the total increase in the preceding 10 years. The services index rose almost 7 percent, continuing a rapid increase since the mid-1960's.

Table 4 also presents indexes of prices paid for producers' durable equipment and yields on high-grade long-term bonds, an indicator of the cost to marketing

firms of current long-term borrowings. The cost of long-term credit has increased dramatically in recent years, and in 1970 was 46 percent higher than in 1967.

Prices of intermediate goods and services have increased steadily since 1947 (fig. 4). The total index has nearly doubled. Prices of services, however, have increased at more than twice the rate of intermediate goods. This mainly reflects the rising cost of labor which is the principal cost associated with providing services.

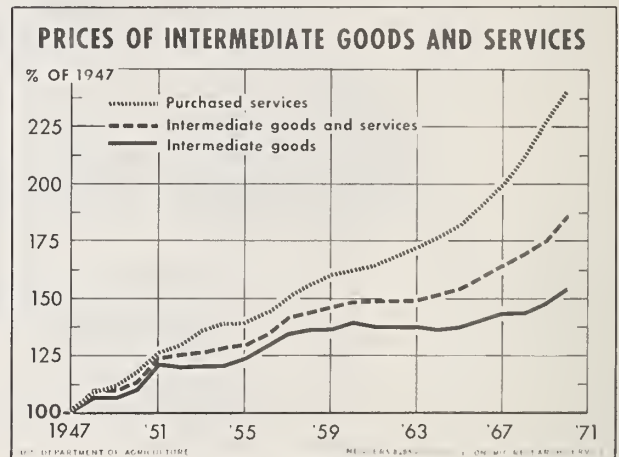


Figure 4

Increases in prices of intermediate goods and services and other marketing inputs that are not offset by increases in productivity result in higher unit costs of performing marketing services, and, consequently, in higher marketing spreads for farm foods. Figure 5 shows that the marketing spread went up in roughly the same manner as prices of intermediate goods and services as well as other marketing costs such as producer durable equipment and unit labor costs.

<sup>1</sup> A similar article presenting these indexes was published in the *Marketing and Transportation Situation*, May 1962.

<sup>2</sup> The term intermediate is used here to denote inputs that are used up and charged to current operating costs, in contrast to capital items which have a longer useful life and are charged off over a period of years.



Table 4.--Prices of supplies, services, and equipment bought by marketing firms,  
1947-70

(1967=100)							
Year and quarter	Intermediate goods and services					Producer's: durable equipment	Yields on high-grade long-term bonds, per annum 3/
	Goods						
	Total	Total	Containers:	Fuel,			
			and	power,			
			packaging	and			
Services	1/	2/	3/				
Percent							
1947 .....	61	70	66	80	50	59	47
1948 .....	67	75	70	89	55	64	51
1949 .....	67	75	71	84	56	67	48
1950 .....	69	77	73	84	59	69	48
1951 .....	75	85	84	86	63	74	52
1952 .....	76	84	82	86	65	75	54
1953 .....	77	85	82	87	68	76	58
1954 .....	78	85	83	88	69	77	53
1955 .....	79	86	84	88	70	79	56
1956 .....	82	90	89	92	72	84	61
1957 .....	86	94	93	98	75	89	71
1958 .....	87	95	94	95	78	91	69
1959 .....	89	95	94	96	80	93	79
1960 .....	90	97	96	99	81	94	80
1961 .....	90	96	95	100	82	93	79
1962 .....	91	96	96	100	84	94	79
1963 .....	91	96	95	99	86	94	77
1964 .....	92	95	96	98	88	94	80
1965 .....	94	96	97	99	91	95	81
1966 .....	97	99	99	99	95	97	93
1967 .....	100	100	100	100	100	100	100
1968 .....	103	100	100	99	106	102	112
1969 .....	107	103	104	99	113	106	128
1970 .....	113	108	108	108	120	110	146
1969							
Jan.-Mar.	105	102	103	99	110	104	122
Apr.-June	107	103	104	98	112	104	125
July-Sept.	108	103	104	99	114	106	128
Oct.-Dec.	109	104	105	101	115	107	136
1970							
Jan.-Mar.	111	106	107	103	116	108	143
Apr.-June	112	107	108	105	118	109	148
July-Sept.	114	108	108	109	122	110	149
Oct.-Dec.	116	110	110	115	124	112	144

1/ Rent, property insurance and maintenance, telephone, laundry and cleaning, financial services. 2/ Implicit price deflator for producer's durable equipment, gross national product, U.S. Dept. of Commerce, converted by ERS to 1967 = 100. 3/ Aaa corporate bonds; Moody's Investor Service. These yields are indicative of the cost of current long-term borrowings. Converted to index form by ERS.

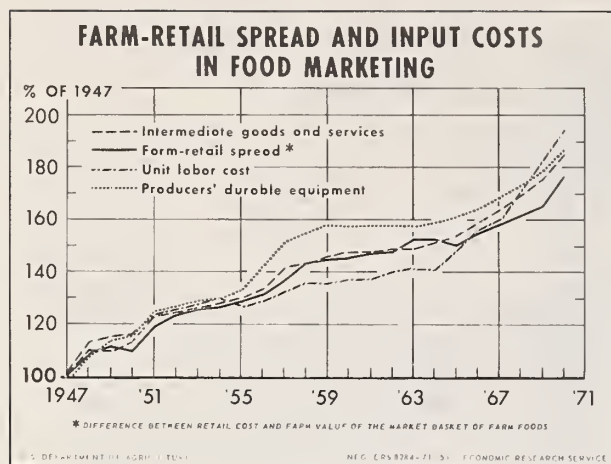


Figure 5

### Revision of the Index

Until the current revision, the index was weighted with the values of goods and services purchased in 1947. Estimates of these purchases were obtained from the 1947 Interindustry Survey.<sup>3</sup> The revisions presented in this article are weighted with estimates of 1963 purchases, recently made available from 1963 interindustry studies.<sup>4</sup> There are 49 classes of goods and 13 services weighted separately in 1963 as compared to 32 classes of goods and 5 services in 1947.

The revised index includes a much larger proportion of goods and services purchased by firms. In 1947 the goods index incorporated about 65 percent of the total purchaser's value of intermediate goods used in farm food marketing and the service index incorporated 73 percent of the cost of all services excluding advertising. In 1963 virtually 100 percent of the goods value is covered and 80 percent of the services excluding advertising.<sup>5</sup>

The availability of suitable price series determined which goods and services were selected to construct the index. New wholesale price indexes published by BLS made it possible to match specifications of price series and goods inputs more closely and to bring additional goods into the index. Unit prices for some services were not available. Proxies for such series were introduced in 1963 for some of the services, in the form of weekly earnings of nonsupervisory workers in businesses providing the corresponding services. Eight more services were included by this method, constituting about a third of the total weight in 1963 (table 5). These were wholesaling services, transportation services, water,

<sup>3</sup> Unpublished estimates of purchaser's value of inputs, *Interindustry Survey, 1947*, Bureau of Labor Statistics, U.S. Department of Labor.

<sup>4</sup> Unpublished estimates of purchaser's value of inputs, 1963 interindustry data, Office of Business Economics, U.S. Department of Commerce. The interindustry program was transferred from BLS to OBE after 1947.

<sup>5</sup> Advertising is not included in the index. The percentage weights are based on totals which exclude advertising.

sewer and sanitary services, laundry and cleaning, banking, brokerage, entertainment and wired music, and miscellaneous repair services.

### Derivation of Weights

Weights were derived from the purchase values of inputs obtained from the 1963 interindustry data as follows. Purchase values of each kind of good or service input with which a related price (or unit value) series could be matched were summed for processors and distributors of mainly farm food. Since input values for wholesale and for retail trade were not separated by commodity line of business in the interindustry data, they were prorated to farm food distribution by ratios of dollar margins for farm food sales to dollar margins for all sales.<sup>6</sup> Purchases of each input by all agencies were then combined.

### Projection by Price Series

Totals for each input for 1963 were projected to 1970 by the related price index. Purchase values of services which could not be projected separately for lack of suitable price series were distributed among the other purchase values, increasing the relative importance of services in the combined index.<sup>7</sup> The sum of the value aggregates for all inputs converted to index form constitutes the index of intermediate goods and services. The subindexes are constructed from selected groups of inputs. The series with 1963 weights has been interpolated with the 1947-weighted series between 1953 and 1963. The unrevised series is retained for the years prior to 1953. The adjustment to bring the two series together was small, since the revised index values for 1963 were nearly the same as the unrevised index values for 1963 based upon 1947 purchase weights.

### Price Series Used

Most of the price series used in constructing the intermediate goods and services index are wholesale price indexes, since marketing firms pay wholesale prices for most inputs. For a few materials, however, indexes used for the item price it at an earlier stage of manufacture, e.g. cloth rather than finished bags, polyethylene resin for packaging film instead of the film itself. A few consumer price indexes are used where other suitable price series are not available. An index of commercial construction cost is used as a proxy for rents and other real estate services.<sup>8</sup> And, as previously

<sup>6</sup> Margin ratios were developed from unpublished and published margins data, Office of Business Economics; sales information was compiled from the *Census of Business, Retail Trade, 1947 and 1963*, Department of Commerce.

<sup>7</sup> In 1963, this extension of coverage was necessary only for miscellaneous professional and business services and services of nonprofit membership organizations. The coverage of the goods index is virtually complete.

<sup>8</sup> The E. H. Boeckh index of commercial and factory building costs published by the U.S. Department of Commerce.

Table 5.—Index of intermediate goods and services: Component statistical series, relative importance in 1963, and description of price data

Components	Relative importance 1963 <sup>1</sup>	Description of price data <sup>2</sup>
	<i>Percent</i>	
<i>Intermediate goods and services</i> . . . . .	100.00	
<i>Intermediate goods</i> . . . . .	56.36	
Fuel, power, and light . . . . .	8.66	4 wholesale price indexes: Coal, electricity, gas, and fuel oil
Tin cans, closures, and metal barrels . . . . .	8.28	2 wholesale price indexes: Tin cans, and metal barrels
Paper wrap and packaging . . . . .	19.41	3 wholesale price indexes: Paper except newsprint, paper-board, and paper products
Glass jars and bottles . . . . .	3.48	1 wholesale price index: Glass food containers
Wooden crates and containers . . . . .	.42	1 wholesale price index: Wooden boxes
Cotton and burlap bagging etc. . . . .	.45	3 wholesale price indexes: Burlap, 2 constructions of cotton fabric
Plastic wrap and packaging . . . . .	3.23	1 wholesale price index: Polyethylene packaging film
Foil wrap . . . . .	1.21	1 wholesale price index: Aluminum foil
Motor transport supplies . . . . .	4.46	8 wholesale price indexes: Gasoline, motor oil, tires and tubes, electrical supplies, motor vehicle parts
Food service supplies . . . . .	4.68	10 wholesale price indexes: Soaps and detergents, tableware, kitchen ware, paper and plastic products for food service
Other supplies . . . . .	2.08	14 wholesale price indexes, 1 consumer price index: Work clothing, hand tools, industrial belting, pallets, chemicals, office supplies, publications, other
<i>Purchased Services</i> <sup>3</sup> . . . . .	43.64	
Wholesaling, transport, warehousing . . . . .	3.17	Weekly earnings, nonsupervisory workers: Grocery wholesaling, trucking and warehousing (2 series)
Telephone, telegraph . . . . .	3.48	1 consumer price index: Telephone
Water, sewer, and sanitary services . . . . .	1.13	Weekly earnings, nonsupervisory workers: Water, steam, and sanitary systems
Car and miscellaneous repairs . . . . .	4.29	1 consumer price index: Car repairs. Weekly earnings, construction workers: General contracting
Laundry and cleaning . . . . .	4.78	Weekly earnings, nonsupervisory workers: Laundry and dry cleaning plants
Bands, entertainers, and wired music . . . . .	.92	Weekly earnings, nonsupervisory workers: Radio and TV broadcasting
Banking, brokers, and insurance . . . . .	5.65	Weekly earnings, nonsupervisory workers: Banking, brokerage, (2 series). 1 consumer price index: Property insurance
Real estate, rents . . . . .	20.22	E.H. Boeckh construction cost index for commercial and factory buildings

<sup>1</sup> For equivalent data for 1947, see the *Marketing and Transportation Situation*, May 1962, table 8, page 25. Classifications of goods and services in 1963 are not wholly comparable because of changes in basic data, and relative importance of the sub-groups in the two years cannot be directly compared. <sup>2</sup> All data are from the Bureau of Labor Statistics, Department of Labor except the E.H. Boeckh index of commercial and factory building costs, which is published by the Department of Commerce. <sup>3</sup> Miscellaneous business and professional services and services by nonprofit membership organizations, constituting about 25 percent of the value of the specified services, are represented by distributing their weight among the weights for the specified services. Advertising is not included in the relative importance of services.



mentioned, weekly wage series from the appropriate producing business are used for price indexes of several services.

The use of the construction cost index and wage series introduces the possibility of some upward bias in the service index due to increasing productivity. Construction costs have risen sharply in recent years. However, in the residential field, construction costs have gone up considerably more than rents. Thus, commercial building costs also may overstate the rise in rents and real estate costs. The use of wage series may also introduce bias. For instance, in the telephone industry where there has been extensive automation, wages have risen substantially but telephone rates have changed little. Since rates for telephone service are available, they are used in the index. Rates would always be conceptually preferable to earnings as a measure of unit costs of services, but they are not available for all services for which wage series were used.

### Exclusion of Advertising

Advertising services are not included explicitly or implicitly in the service index in either year because price indexes of advertising charges were not available. Purchaser's expenses for advertising in both years were about 11 percent of all intermediate goods and services attributed to the farm food marketing sector, so that the purchases covered by the total index as constructed represent only 89 percent of total intermediate purchases of goods and services. A price series for advertising was considered in the initial construction of this index. The problems of the data were such that it was not incorporated into the index, but awaits more information and further study.

### Comparisons of Relative Importance

The OBE classification of goods and services in 1963 is not identical with the 1947 classification; some groups have been dropped, some redefined or regrouped, some are new. The index has been reorganized around the new presentation of the material. Therefore only very general comparisons can be made between the 1947 and 1963

purchase data used for weights. In 1947, goods had 64 percent of the weight in the total index and services had 36 percent. Using 1963 purchase data, the weight for goods decreased to 56 percent and the weight for services rose to 44 percent. Within the goods index a few more comparisons are possible. Coal, gas, electricity, and fuel oil now constitute the fuel, power, and light index; gasoline is reclassified with automotive supplies. Between 1947 and 1963, expenditures for all fuels but coal rose, but only gas and electricity increased in relative importance. Electricity moved from 40 to 60 percent. The purchase value of the group almost doubled.

Of seven groups of packaging materials, only purchases of textile bags and wooden containers declined in absolute value between 1947 and 1963. Purchases of all packaging materials tripled. In both years the most important materials in the group were paper and paper products, and metal cans. However, only paper and paper products gained in relative importance during the period.

### Effect of Revisions

Since 1963, the price index of intermediate goods has risen in every year but one. However, the revised goods index has risen less rapidly than the unrevised index. This reflects the change in relative importance of various items purchased between 1947 and 1963. Purchases of commodities such as coal, textile bagging, and wooden containers declined relative to fuels, paper packaging, and plastic materials. Prices of the newer products have risen less rapidly than prices of the goods which have declined in importance.

The revision of the index of services appeared to have little effect on the rate of change in the index. The effect of adding the series of weekly earnings as proxies for the price of some services not represented in the unrevised index caused little change in the movement of the overall index because the rate of change in earnings has been similar to other components. Services have increased in relative importance as compared to goods, but no marked net shift of emphasis occurred within the group.



# CHANGES IN FOOD WHOLESALING

Leland Southard and Terry L. Crawford  
Marketing Economics Division

**ABSTRACT:** Food wholesaling establishments have increased their sales by about one-half in the past decade. Food wholesaling has had a dynamic change in shares (percent of sales of a market by type of firm) while margins and profits as a percent of sales have remained constant. Affiliated wholesalers have increased their share of the food store market, with other wholesalers shifting sales to industrial and commercial users.

**KEY WORDS:** Food wholesalers, margins, marketing costs.

Wholesaling is the market function of purchasing, assembling, and distributing goods for resale to retail outlets. The wholesaling function may be performed by an independent firm or a unit of an integrated retailer. The establishments performing the wholesaling function and the markets served by such wholesalers changed dramatically during the 1960's.

Food wholesaling has traditionally been considered a function of independent firms. Developments have eroded this view as varying degrees of integration have transferred a substantial part of the wholesaling function to other types of organizations in the market channel for food.

An example of transfer in the control of the wholesaling function is the integrated retailer who performs his own buying, assembling, and distribution. By taking over the wholesaling function, integrated retailers (when large enough) have been able to realize savings through volume purchasing and the control and co-ordination of the other wholesaling functions. Integrated retailers' share of total food store sales increased only slightly from 1963 to 1969. Still, they account for almost half of total retail food store sales. This dominance places constant competitive pressure on non-integrated retailers.

The response to the competitive pressure can be seen in actions both by retailers and wholesalers in the 1960's. Many non-integrated retailers built larger stores and looked at alternatives for reducing the cost of acquiring their merchandise from many wholesalers. Many of these non-integrated retailers organized cooperatives or joined voluntary groups to realize savings from volume purchasing.

Wholesalers responded by adopting changes which provide non-integrated food retailers with products and services at a cost that would permit them to be competitive with the integrated retailer. Many wholesalers organized voluntary groups of retailers that contract for merchandise and services from the wholesaler. Other wholesalers not forming voluntary groups increased their sales to the away-from-home market including restaurants and hotels.

The dominant alternative wholesaling structure that has emerged for the retail food store in response to this competition is the affiliated wholesaler. Affiliated wholesalers are of two types: Cooperative wholesale buying groups and voluntary merchandising groups. Cooperative wholesalers are those owned by the retailers they serve. Voluntary wholesalers are firms contracting to serve independent stores and chains often operating under a common name.

In 1963 affiliated stores accounted for about one-third of grocery store sales while integrated chains accounted for two-fifths (fig. 6). However, in 1969 affiliated stores accounted for about the same proportion of grocery store sales as integrated chains (46-47 percent). Sales of independent stores—those not affiliated with a cooperative or voluntary group—declined from about one-fourth in 1963 to less than one-tenth in 1969.

To analyze the changes in the food wholesaling structure during the last decade, we examined 4 key indicators of performance: market share, gross margin, profit, and capital efficiency. The market share analysis was centered around sales to retail food stores and the secondary market for food away from home. This

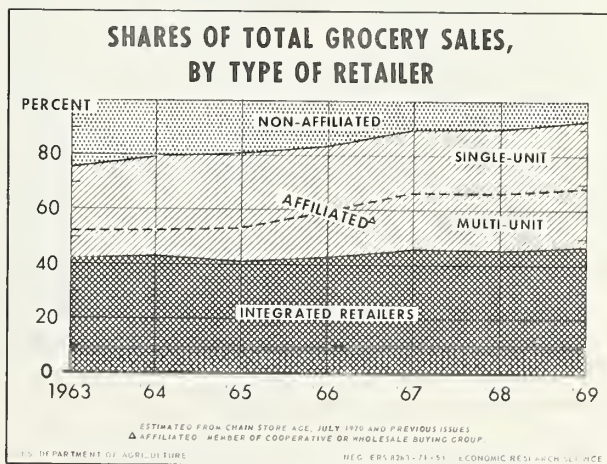


Figure 6

enabled us to study the effect of affiliated wholesalers, integrated retailers, non-affiliated general-line grocers, and specialty wholesalers on the wholesale marketing environment. Margin data were obtained from the *Census of Business* for all firms. However, the Internal Revenue Service data on profits and capital efficiency by size category relate only to corporate firms.

### Market Share

In 1967, 88 percent of sales by general-line grocery wholesalers was to food stores (table 6). The remainder was distributed among public eating places, institutions, and others. This analysis will concentrate on the change in market shares of wholesalers selling to retail grocers.

#### Affiliated Wholesalers

Affiliated grocery wholesalers—those sponsoring voluntary groups of retail food stores and those

cooperatively owned by retail food stores—are now accounting for sales about equal to those of food stores performing their own wholesaling function. Moreover, the sales growth of affiliated wholesalers and their retailers is increasing at a faster pace than growth in integrated food stores.

The rapid rate of growth by affiliated wholesalers may not continue long into the seventies. Up to this point affiliates' growth in market share has been at the expense of the non-affiliated independent wholesaler and his independent food store customer. The continued growth in market share of affiliated retailers will depend to a larger extent on cost and quality of services and merchandise provided by the affiliated wholesaler and ability of the retailer to use these services effectively.

Affiliated wholesalers have grown both in total sales and number of establishments. Affiliated wholesalers had sales per establishment five times those for non-affiliated wholesalers in 1967 (table 7). The number

Table 6.--Food wholesalers: Distribution of sales to industrial and commercial users and retail food stores, 1958, 1963 and 1967

Type of business	Industrial and commercial users 1/			Retail food stores		
	1958	1963	1967	1958	1963	1967
	Percent 2/					
Merchant wholesalers .....	13	18	23	64	62	58
Groceries, general line ....	5	6	10	94	91	88
Affiliated .....	3	3	3	96	96	95
Voluntary .....	--	4	5	--	95	94
Cooperative .....	--	1	1	--	98	98
Non-affiliated .....	7	15	28	90	78	68
Specialty wholesalers .....	18	25	36	49	45	40
Frozen foods .....	--	--	43	--	--	31
Dairy products .....	21	25	18	39	35	38
Poultry & poultry products .	8	17	19	54	54	53
Confectionery .....	3	9	21	80	72	60
Fish & seafood .....	9	19	35	46	38	25
Meat & meat products .....	21	32	34	50	42	40
Fresh fruits & vegetables ..	11	16	19	58	54	48
Agents and brokers .....	--	15	16	--	29	28
Assemblers .....	9	14	16	35	31	31

1/ Refers to customers who normally buy for business uses rather than for resale. (Primarily the away-from-home market)

2/ Does not add to 100%. Omitted portion refers to food sold to other wholesalers or government.

Compiled from: Census of Business, Department of Commerce.

Table 7.--Merchant wholesalers: Total sales, number of establishments, and sales per establishment, 1958, 1963, and 1967

Type of business	Total sales		
	1958	1963	1967
	Million dollars		
Groceries, general line .....	8,428	11,723	15,548
Affiliated .....	5,236	8,270	11,470
Voluntary .....	---	5,357	7,367
Cooperative .....	---	2,913	4,103
Non-affiliated .....	3,192	3,453	4,078
Specialty wholesalers .....	16,772	19,131	26,004
Frozen foods .....	---	---	1,771
Dairy products .....	1,934	2,185	2,678
Poultry & poultry products .....	1,462	1,629	2,180
Confectionery .....	747	858	1,030
Fish and seafood .....	622	693	856
Meat & meat products .....	3,879	5,371	7,395
Fresh fruits & vegetables .....	3,092	2,981	3,973
Groceries and related products, nec:	5,036	5,415	6,121
Total .....	25,200	30,854	41,552
	Establishments		
	Number		
Groceries, general line .....	2,253	2,530	2,543
Affiliated .....	673	869	907
Voluntary .....	---	708	734
Cooperative .....	---	161	173
Non-affiliated .....	1,580	1,661	1,636
Specialty wholesalers .....	27,769	26,760	26,508
Frozen foods .....	---	---	1,365
Dairy products .....	3,067	3,000	2,785
Poultry & poultry products .....	2,082	1,942	2,022
Confectionery .....	2,113	2,084	1,998
Fish and seafood .....	1,591	1,602	1,534
Meat & meat products .....	4,459	5,170	5,041
Fresh fruits & vegetables .....	6,291	5,123	5,284
Groceries and related products, nec:	8,166	7,839	6,479
Total .....	30,022	29,290	29,051
	Sales per establishments		
	Thousand dollars		
Groceries, general line .....	3,741	4,634	6,114
Affiliated .....	7,780	9,517	12,646
Voluntary .....	---	7,566	10,037
Cooperative .....	---	18,094	23,717
Non-affiliated .....	2,020	2,079	2,492
Specialty wholesalers .....	604	715	937
Frozen foods .....	---	---	1,297
Dairy products .....	631	728	961
Poultry & poultry products .....	702	839	1,078
Confectionery .....	354	412	515
Fish and seafood .....	391	432	558
Meat & meat products .....	870	1,039	1,467
Fresh fruits & vegetables .....	492	582	752
Groceries and related products, nec:	617	691	945

Compiled from: Census of Business, Department of Commerce.



of affiliated wholesale establishments increased by more than a third from 1958 to 1967 to a total of 907 firms. The growth of affiliated wholesalers has been due to the active recruiting of retailers by offering them services and competitive advantages similar to those available to the integrated retailer.

Sponsoring of retailers affords the wholesaler a relatively stable base of customers who contract for his services. The affiliated wholesaler often provides the retailer with a full line of merchandise, promotional programs, service specialists in store operations, and managerial assistance. Many large affiliated wholesalers have their own electronic data processing (EDP) facilities. This allows automatic reorder and other managerial analysis. Computerized check-out and other data analysis techniques on product movement at retail will require access to computers for which the wholesaler is the logical source of support. Individual stores, using EDP provided by their wholesaler, can adapt the merchandise mix to the needs and preferences of their neighborhood.

Unit pricing is one recent development that needs the speed of a computer. This practice is a labor consuming activity which can be minimized by access to computer printed labels. Legislation requiring unit pricing is now in effect in New York City and Massachusetts. In other areas legislation is being considered and many firms are voluntarily using unit pricing as a competitive tactic. Without computer access, unit pricing and variable price merchandising may be prohibitive. The development of unit pricing as a retail merchandising practice should favor the growth of the affiliated wholesaler at the expense of the independent wholesaler.

Many voluntary groups provide financial assistance, accounting, store design, site location, advertising, store employee training, private labels, and many other services designed to improve retail effectiveness. Services provided by retailer-owner cooperatives vary, though many are expanding them. This type of operation provides the retailer dual benefits: The economies resulting from purchasing in large quantities and a share of any profits earned by the cooperative.

Multi-unit retailers (2 or more store) of affiliated groups tripled sales from 1963 to 1969. The absolute dollar sales growth of multi-unit retailers equaled the growth of integrated retailers. The rapid sales growth of multi-unit retailers resulted from their adoption of a marketing strategy similar to that of integrated retailers. Many of these multi-unit retailers were small and lacked the volume to support the use of their own warehouses. As a consequence, many multi-unit retailers have closed their own warehouses or, when expanding into new areas, have chosen to use affiliated wholesalers. Existing cooperatives and voluntary groups have been active in responding to the needs of multi-unit retailers.

Single stores belonging to cooperative and voluntary groups showed a modest increase in sales of \$4 billion from 1963 to 1969. Part of this increase was due to the

switching of single stores from independent wholesalers to voluntary or cooperative suppliers. On the other hand, many single stores belonging to voluntaries or cooperatives grew to multi-unit operations during this period.

### Non-Affiliated Wholesale Establishments

Sales and number of non-affiliated general-line wholesale establishments rose between 1958 and 1967 in contrast to the slight decline in total wholesale grocery establishments. However, the share of non-affiliated establishments' sales to food stores declined. This decline was more than offset by sales to industrial users. Between 1958 and 1967, their percentage of sales to industrial users, including public eating places, increased four times.

### Specialty Wholesalers

Specialty wholesalers, like the non-affiliated general-line grocery wholesalers, have increased sales to the expanding away-from-home market in the past decade. Since integrated and affiliated warehouses have tripled the number of items handled, specialty wholesalers have found it harder to compete in the food store market.<sup>1</sup> In rural areas where large institutions and eating places were not present, general-line and specialty wholesalers lost much of their market to the affiliated wholesaler.

### Gross Margins

Gross margins and operating expenses as a percent of sales vary by type of wholesaler (table 8). General-line grocery wholesalers have the lowest gross margin. Fresh fruit and vegetable specialty wholesalers have the highest gross margins as a percent of sales as a result of their relatively higher operating expenses for refrigeration and the loss of products due to spoilage. Other specialty wholesalers have a higher gross margin than general-line grocery. Wholesalers who handle goods requiring special conditions such as cold storage for meat and frozen foods have higher margins to cover costs.

Traditional general-line grocery wholesalers (non-affiliated) have higher operating expenses than affiliated wholesalers (voluntary and cooperative). The affiliated wholesalers have achieved some competitive advantages through economies of scale, primarily because they serve larger volume retailers. They have also offered more services to their retailers.

The cooperative wholesalers have lower operating costs than the voluntary wholesalers. The cooperative wholesalers tend to serve only retail food stores, while the voluntary wholesalers have begun to serve the away-from-home food market. Because of larger deliveries to the food stores than restaurants, it is cheaper to service the retail food store. Cooperative wholesalers have about two and one-half times the sales per establishment as the voluntary wholesalers.

<sup>1</sup> *Progressive Grocer*, April, 1970, page 75.



Table 8.--Merchant wholesalers: Gross margins and operating costs as a percent of sales, 1958, 1963 and 1967

Type of business	Gross margin		Operating expenses including payroll		
	1963	1967	1958	1963	1967
	----- Percent -----				
Groceries and related products .....	11.7	12.0	9.4	9.5	9.5
Groceries, general line .	8.0	9.1	6.4	6.7	6.4
Affiliated .....	--	--	5.3	5.5	5.5
Voluntary .....	--	--	--	6.2	6.1
Cooperative .....	--	--	--	4.5	4.4
Non-affiliated .....	--	--	8.2	9.2	9.0
Specialty line .....	14.9	14.4	11.0	11.6	11.1
Meat and meat products ..	10.9	11.7	8.7	9.9	9.8
Fresh fruits & vegetables :	17.5	15.6	14.8	13.7	14.5

Compiled from: Census of Business, Department of Commerce.

Labor was the food wholesalers' largest operating cost, accounting for slightly less than half of the gross margin in 1967.<sup>2</sup> Business taxes were the second major cost.<sup>3</sup> Depreciation and rent, because of large capital requirements, followed in order of importance.

### Profits of Corporate Wholesalers

Despite a changing market volume of business during the 1960's, profit ratios as a percent of sales showed little change. Food wholesalers' profits between 1958 and 1967 (latest data available) average slightly less than 1 percent of sales and more than 11 percent of net worth.<sup>4</sup> Profit ratios varied by asset size (table 9).

The largest firms had the highest profit rates, averaging about 1 percent of sales and close to 12 percent of net worth. The medium size wholesaler did about as well as the larger size. However, the smallest wholesalers' profit ratios averaged less than one-half of 1 percent of sales and only 3 percent of net worth.

Small wholesalers had returns on net worth averaging less than half of the prime interest rate (6-8%). Economic theory for competitive markets would indicate that with a passage of time there should be an exodus of such firms with capital flowing to more productive uses. Such a mass liquidation has not

occurred. On the contrary, small wholesalers account for one-half of all corporate wholesalers. The number of small corporate wholesalers has remained constant in recent years even though they account for only 7 percent of the corporate sales.

### Capital Efficiency of Corporate Wholesalers

Capita productivity is related to size of firm for food wholesalers. Larger firms substitute capital for labor and are less efficient users of capital (when considered by itself) than their smaller rivals. This does not imply that the smaller firm is optimal in the use of all inputs.

Sales per dollar of assets provide a measure of efficiency with respect to total capital necessary to conduct a business. This measure suffers when using traditional accounting sources because of the mixed practice of leasing capital goods or owning them. Owned capital appears on the balance sheet as an asset; leased facilities do not. Small wholesalers had the highest sales per dollar of assets, averaging more than 7 to 1 for the period (table 10). The largest wholesalers averaged 5 to 1, which was the same as the average of all firms. This reflects the weight of larger size wholesalers.

Sales per dollar of inventory provide a direct measure of capital efficiency with respect to the product being distributed. This is a more meaningful measure of capital efficiency in the trade industries than in manufacturing. All wholesalers averaged \$19 of sales to \$1 of inventory during 1963-69. Small wholesalers were more efficient in inventory turnover, averaging 46 to 1.

<sup>2</sup> *Census of Business, 1967*, U.S. Department of Commerce.

<sup>3</sup> *Statistics of Income, 1967*, Internal Revenue Service. <sup>4</sup> IRS data for profits as a percent of net worth fluctuated widely from year to year as a result of changes in classification.

Table 9.--Corporate food wholesalers' profits before taxes  
as a percent of sales and net worth,  
by asset size of firm, 1958-67

		Asset size of firm			
Years		All firms	Under \$100,000	\$100,000 to \$1 million	Over \$1 million
		Profits as percentage of sales			
1958	.....	0.9	0.1	0.8	1.1
1959	.....	0.9	0.3	0.8	1.1
1960	.....	0.9	*	0.9	1.1
1961	.....	1.0	0.1	0.9	1.2
1962	.....	1.0	0.4	0.8	1.1
1963	.....	0.7	0.1	1.0	0.7
1964	.....	0.9	0.4	0.9	1.0
1965	.....	1.0	0.3	1.2	0.9
1966	.....	1.0	0.4	1.1	1.0
1967	.....	1.0	*	1.1	1.0
Average:		0.9	0.2	1.0	1.0
		Profits as percentage of net worth			
1958	.....	10.0	1.9	7.6	10.1
1959	.....	9.4	3.5	8.5	10.6
1960	.....	8.6	-3.1	8.4	9.9
1961	.....	11.1	1.0	10.8	12.2
1962	.....	NA	NA	NA	NA
1963	.....	9.5	2.7	12.2	8.2
1964	.....	12.2	10.5	11.4	12.9
1965	.....	13.3	5.1	15.1	12.8
1966	.....	13.8	7.3	15.2	13.4
1967	.....	12.0	-1.2	10.8	13.3
Average:		11.1	3.1	11.1	11.5

\* Less than 0.1 percent

Compiled from: Source Book of the Statistics of Income,  
Internal Revenue Service, 1958 through 1967 (latest available  
data).

The capital efficiency of small wholesalers is a result of handling a limited line of products and of not having enough sales volume to efficiently use larger labor-saving machinery. Small firms economize on capital equipment

by substituting labor, and many small wholesalers reduce the amount of capital needed by renting buildings and equipment.

Table 10.--Merchant wholesalers' sales per dollar of inventory and per dollar of asset, by asset size of firm, 1958-67

Year	All firms	Under \$100,000	\$100,000 to \$1 million	Over \$1 million
<u>Sales per dollar of inventory</u>				
1958	17.89	49.28	20.36	14.80
1959	19.36	44.09	22.05	15.97
1960	18.77	38.53	21.05	15.79
1961	19.26	49.57	22.29	15.76
1962	20.03	37.58	23.87	16.69
1963	17.75	45.19	20.13	15.43
1964	19.53	44.27	23.02	16.61
1965	20.73	53.40	23.80	17.72
1966	20.59	47.71	27.26	16.50
1967	21.51	50.66	25.48	17.46
Average	19.44	46.03	22.93	16.27
<u>Sales per dollar of assets</u>				
1958	5.32	7.32	5.85	4.74
1959	5.61	7.40	6.07	5.04
1960	5.33	7.48	5.77	4.76
1961	5.30	7.10	5.94	4.65
1962	5.42	6.57	5.94	4.93
1963	5.20	6.73	5.49	4.91
1964	5.56	6.99	5.73	5.31
1965	5.62	7.02	5.81	5.37
1966	5.48	6.79	6.25	4.92
1967	5.66	7.64	6.29	5.22
Average	5.45	7.10	5.91	4.96

Compiled from: Source Book of the Statistics of Income, Internal Revenue Service, 1958 through 1967 (latest available data).



# FEDERAL INCOME AND BUSINESS TAXES PAID BY U.S.

## FOOD MARKETING CORPORATIONS<sup>1</sup>

William T. Wesson and Henry L. Wong  
Marketing Economics Division

Total taxes (Federal income and business taxes) paid by corporate food processors, wholesalers, retailers, and eating and drinking places, increased each year in 1947-67. These taxes totaled almost \$4 billion in 1967 as compared with \$2 billion in 1957 and \$1.1 billion in 1947 (table 11). Business taxes, which include property taxes, social security taxes, unemployment insurance, State income and franchise taxes, and license fees increased at an annual rate of almost 7 percent between 1957-67 compared with almost 4 percent for income taxes.

Food processors paid income taxes of \$1,167 million in 1967 compared with \$736 million in 1957, an increase of 58 percent. They paid \$1,045 million in business taxes in 1967, or more than twice as much as in 1957.

Food wholesalers paid \$146 million in income taxes in 1967 compared with \$100 million in 1957. Over the same period their business taxes increased from \$84 million to \$215 million.

In 1967, retail food stores paid income taxes of about \$353 million and business taxes of \$512 million. In 1957 they paid \$271 million in income tax and \$189 million in business taxes.

Eating and drinking places paid income taxes of \$111 million in 1967 compared with \$39 million in 1957. Business taxes amounted to \$403 million in 1967, 4 times greater than in 1957.

The increase in income taxes since 1957 reflected mostly the growth of the food marketing industry. Sales, an indicator of this growth, increased 60 percent from 1957-59 to 1967.

The increase in business taxes reflects the increases which have occurred in property and social security

taxes, the two types that account for about 75 percent of business taxes. The maximum amount of taxable earnings for social security increased from \$4,200 in 1957 to \$6,600 in 1967, and to \$7,800 in 1969. Also, during 1957-67, the employer-employee tax deduction rate for social security increased from 2.25 percent on the first \$4,200 to 4.4 percent on the first \$6,600. Starting in January 1971, the tax deduction rate of 5.2 percent on the first \$7,800 went into effect. Higher property taxes reflect increases in expenditures for plant and equipment, especially since World War II, and increases in property tax rates.

### Taxes per Dollar of Sales

Income tax per dollar of sales was highest for processors and lowest for wholesalers. For business taxes, it was highest for eating and drinking places, and lowest for wholesalers (table 12). For income tax, differences could be due to the level at which firms operate in the marketing system, and on the amount, type, and value of service provided. For instance, the unit value of food processing service is generally higher than the unit value of wholesaling service. This usually means more resources have been employed in the former, and the larger returns to the investment would show up in a higher pretax income per dollar of sales—hence a higher tax for processors than for wholesalers. The differential also would reflect variations in the size distribution of firms relative to tax brackets.

Property and social security taxes account for a substantial part of business taxes. Therefore, the difference in business taxes per dollar of sales paid by the four groups of firms are largely explained by differences in the amount of property owned (real estate, plant, fixtures, etc.) and the size of their labor force requiring social security payments.

<sup>1</sup> This article is abstracted from a research report entitled, "Taxes Paid by Firms Marketing Farm Food Products" which will be published in the summer of this year.



Table 11.--Federal income and business taxes paid by U.S. corporate food processors, wholesalers, retailers, and eating and drinking places, 1947-67

Year	Federal income tax						Business taxes					
	Pro- cessors	Whole- salers	Retail- ers	Eating and drinking places	Total	Pro- cessors	Whole- salers	Retail- ers	Eating and drinking places	Total	Pro- cessors	Whole- salers
	1/ 1/	2/ 2/	2/ 2/	2/ 2/	2/ 2/	1/ 1/	1/ 1/	1/ 1/	1/ 1/	1/ 1/	1/ 1/	1/ 1/
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1947 ...	553.9	79.4	81.6	18.2	733.1	262.0	43.2	54.9	35.8	395.9	1129.0	
1948 ...	458.0	68.7	83.3	18.3	628.3	271.4	44.5	63.3	38.1	417.3	1045.6	
1949 ...	445.6	63.6	96.6	17.1	622.9	295.1	51.1	71.1	41.1	458.4	1081.3	
1950 ...	627.9	93.5	116.5	18.6	856.5	334.7	55.9	84.3	45.6	520.5	1377.0	
1951 ...	640.2	90.7	125.7	23.8	880.4	345.3	66.1	97.3	51.7	560.4	1440.8	
1952 ...	649.1	85.6	148.4	23.2	906.3	351.9	64.7	109.4	56.2	582.2	1488.5	
1953 ...	700.5	85.2	173.7	27.6	987.0	363.7	63.4	115.9	59.5	602.5	1589.5	
1954 ...	651.9	83.2	188.7	25.5	949.3	384.7	68.8	133.2	60.7	647.4	1596.7	
1955 ...	775.5	87.8	215.7	33.4	1112.4	407.7	78.4	150.7	70.0	706.8	1819.2	
1956 ...	756.8	100.6	252.9	35.6	1145.9	423.4	78.2	171.5	81.2	754.3	1900.2	
1957 ...	736.2	100.0	270.7	39.4	1146.3	447.5	84.1	188.8	90.1	810.5	1956.8	
1958 ...	830.9	93.8	264.5	37.1	1226.3	502.7	89.5	215.7	99.3	907.2	2133.5	
1959 ...	900.3	109.8	270.8	51.2	1332.1	573.0	101.1	236.9	123.7	1034.7	2366.8	
1960 ...	892.0	102.5	293.5	46.7	1334.7	613.7	116.7	295.3	133.2	1158.9	2493.6	
1961 ...	922.6	110.9	287.9	50.5	1371.9	656.4	135.0	329.4	174.5	1295.3	2667.2	
1962 ...	901.9	119.3	307.1	57.1	1385.4	712.7	154.2	336.5	206.2	1409.6	2795.0	
1963 ...	1011.3	128.7	298.5	57.3	1495.8	764.6	176.1	408.4	222.9	1572.0	3067.8	
1964 ...	944.8	133.1	328.9	67.8	1474.6	935.3	161.8	376.9	182.7	1656.7	3131.3	
1965 ...	995.9	124.5	292.4	81.3	1494.1	915.8	166.4	404.4	291.5	1778.1	3272.2	
1966 ...	1189.0	135.9	326.3	88.5	1739.7	1030.1	212.5	422.6	319.5	1984.7	3724.4	
1967 ...	1166.6	146.3	352.9	111.1	1776.9	1044.8	215.3	512.0	403.2	2175.3	3952.2	

1/ Beverages excluded; also 1947-57 data adjusted to reflect the transfer of milk market dealers from food retailing.

2/ Data for 1947-57 adjusted to reflect the transfer of milk market dealers to the dairy industry.

Compiled from: Statistics of Income, Internal Revenue Service.

Table 12.--Federal income tax and business taxes per dollar of sales,  
U.S. food marketing corporations, 1947-67

Year	Processors	Wholesalers	Retailers	Eating and drinking places	Average- all firms
<u>Income taxes per dollar of sales (cents) 1/</u>					
1947	1.78	0.71	0.94	1.13	1.31
1948	1.42	0.53	0.82	0.93	1.08
1949	1.45	0.50	0.92	0.88	1.08
1950	1.94	0.68	1.06	0.92	1.38
1951	1.75	0.54	0.94	1.05	1.25
1952	1.77	0.56	0.99	1.17	1.26
1953	1.92	0.57	1.08	1.04	1.36
1954	1.75	0.51	1.03	1.02	1.26
1955	2.00	0.51	1.03	1.14	1.37
1956	1.90	0.56	1.08	1.04	1.32
1957	1.79	0.52	1.05	0.95	1.25
1958	1.71	0.45	0.99	0.93	1.23
1959	1.79	0.43	0.96	1.04	1.26
1960	1.77	0.43	0.93	0.91	1.21
1961	1.73	0.45	0.86	0.84	1.17
1962	1.64	0.41	0.87	0.85	1.10
1963	1.87	0.45	0.80	0.82	1.25
1964	1.99	0.41	0.84	0.84	1.11
1965	1.73	0.39	0.70	0.90	1.06
1966	1.78	0.38	0.69	0.92	1.05
1967	1.77	0.38	0.71	0.94	1.09
<u>Business taxes per dollar of sales (cents)</u>					
1947	0.83	0.39	0.63	2.11	0.71
1948	0.84	0.34	0.67	1.83	0.70
1949	0.96	0.40	0.61	1.99	0.79
1950	1.02	0.40	0.67	2.15	0.84
1951	0.93	0.42	0.72	2.18	0.79
1952	0.95	0.42	0.70	2.19	0.80
1953	0.99	0.42	0.69	2.16	0.82
1954	1.02	0.43	0.71	2.31	0.85
1955	1.05	0.45	0.73	2.21	0.87
1956	1.06	0.43	0.73	2.24	0.87
1957	1.07	0.44	0.75	2.18	0.88
1958	1.04	0.42	0.75	2.34	0.91
1959	1.14	0.47	0.84	2.51	0.98
1960	1.22	0.49	0.96	2.68	1.06
1961	1.23	0.55	0.98	2.97	1.10
1962	1.29	0.54	0.95	3.08	1.12
1963	1.46	0.62	1.10	3.21	1.18
1964	1.29	0.57	0.96	3.33	1.10
1965	1.47	0.52	0.96	3.22	1.18
1966	1.34	0.59	1.02	3.32	1.20
1967	1.35	0.56	1.04	3.42	1.33

1/ Excess profits tax is included for 1950-54.

Compiled from: Statistics of Income, Internal Revenue Service.

Table 13.--Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, farm-retail spread, and farmer's share of retail cost, January-March 1971.

Product 1/	Farm equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value 2/	Farm-retail spread	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket .....			1,218.32	---	---	465.91	752.41	38
Meat products .....			361.50	---	---	187.17	174.33	52
Dairy products .....			222.52	---	---	106.97	115.55	48
Poultry and eggs .....		Average quantities purchased per urban wage-earner and clerical-worker household in 1960-61	89.77	---	---	46.41	43.36	52
Bakery and cereal products 3/	Farm produce equivalent to products bought per urban wage-earner and clerical-worker household in 1960-61		189.04	---	---	36.12	152.92	19
All ingredients .....								
Grain .....				32.92	6.63	26.29	---	14
All fruits and vegetables .....			256.25	---	---	65.59	190.66	26
Fresh fruits and vegetables .....			126.73	---	---	40.81	85.92	32
Fresh fruits .....			48.88	---	---	14.38	34.50	29
Fresh vegetables .....			77.85	---	---	26.43	51.42	34
Processed fruits and vegetables .....								
Fats and oils .....			129.52	---	---	24.78	104.74	19
Miscellaneous products .....			43.43	32.28	18.64	13.64	29.79	31
			55.81	---	---	10.01	45.80	18
			Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade .....	2.28 lb. Choice grade cattle	Pound	100.3	69.1	4.2	64.9	35.4	65
Lamb, Choice grade .....	2.45 lb. lamb	Pound	109.1	58.9	6.0	52.9	56.2	48
Pork .....	1.97 lb. hogs	Pound	69.2	33.2	2.7	30.5	38.7	44
Butter .....	Cream and whole milk	Pound	87.8	108.9	45.6	63.3	24.5	72
Cheese, American process .....	Milk for American cheese	$\frac{1}{2}$ pound	52.0	23.7	.9	22.8	29.2	44
Ice cream .....	Cream, milk, and sugar	gallon	85.4	---	---	29.1	56.3	34
Milk, evaporated .....	Milk for evaporating	$1\frac{1}{2}$ -ounce can	19.3	9.2	.2	9.0	10.3	47
Milk, fresh								
Home delivered .....	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	66.6	---	---	29.5	37.1	44
Sold in stores .....	4.39 lb. Class I milk	$\frac{1}{2}$ gallon	58.3	---	---	29.5	28.8	51
Chickens, frying, ready-to-cook ....	1.37 lb. broiler	Pound	40.2	---	---	18.5	21.7	46
Eggs, Grade A large .....	1.03 dozen	Dozen	56.7	---	---	32.9	23.8	58
Bread, white								
All ingredients .....	Wheat and other ingredients	Pound	24.9	---	---	3.4	21.5	14
Wheat .....	.877 lb. wheat	Pound	---	3.0	.4	2.6	---	10
Bread, whole wheat 6/ .....	.618 lb. wheat	Pound	37.7	---	---	3.1	34.6	8
Cookies, sandwich .....	.528 lb. wheat	Pound	53.2	---	---	5.1	48.1	10
Corn flakes .....	2.87 lb. yellow corn	12 ounces	34.1	47.5	4.3	3.2	30.9	9
Flour, white .....	6.8 lb. wheat	5 pounds	59.4	24.5	3.6	20.9	38.5	35
Apples .....	1.04 lb. apples	Pound	21.7	---	---	6.6	15.1	30
Grapefruit .....	1.03 grapefruit	Each	14.2	---	---	3.0	11.2	21
Lemons .....	1.04 lb. lemons	Pound	32.3	---	---	9.7	22.6	30
Oranges .....	1.03 doz. oranges	Dozen	86.1	---	---	21.1	65.0	25
Cabbage .....	1.08 lb. cabbage	Pound	13.0	---	---	3.8	9.2	29
Carrots .....	1.03 lb. carrots	Pound	17.3	---	---	5.3	12.0	31
Celery .....	1.08 lb. celery	Pound	17.8	---	---	4.1	13.7	23
Cucumbers .....	1.09 lb. cucumbers	Pound	30.1	---	---	8.8	21.3	29
Lettuce .....	1.88 lb. lettuce	Head	30.6	---	---	13.3	17.3	43
Onions .....	1.06 lb. onions	Pound	13.1	---	---	3.7	9.4	28
Peppers, green .....	1.09 lb. peppers	Pound	48.5	---	---	24.8	23.7	51
Potatoes .....	10.42 lb. potatoes	10 pounds	81.7	---	---	20.5	61.2	25
Tomatoes .....	1.18 lb. tomatoes	Pound	45.6	---	---	21.2	24.4	46
Peaches, canned .....	1.60 lb. Calif. cling peaches	No. $2\frac{1}{2}$ can	36.3	---	---	6.5	29.8	18
Pears, canned .....	1.85 lb. pears for canning	No. $2\frac{1}{2}$ can	52.5	---	---	12.1	40.4	23
Beets, canned .....	1.24 lb. beets for canning	No. 303 can	19.0	---	---	1.3	17.7	7
Corn, canned .....	2.495 lb. sweet corn	No. 303 can	24.8	---	---	2.9	21.9	12
Peas, canned .....	.69 lb. peas for canning	No. 303 can	26.0	---	---	3.8	22.2	15
Tomatoes, canned .....	1.84 lb. tomatoes for canning	No. 303 can	22.5	---	---	3.1	19.4	14
Orange juice, concentrate, frozen ..	3.42 lb. oranges	6-ounce can	21.6	---	---	6.5	15.1	30
French fried potatoes, frozen .....	1.38 lb. potatoes	9 ounces	16.4	---	---	2.5	13.9	15
Peas, frozen .....	.70 lb. peas for freezing	10 ounces	21.8	---	---	3.8	18.0	17
Beans, navy .....	1.00 lb. Mich. dry beans	Pound	20.3	---	---	10.5	9.8	52
Margarine .....	Soybeans, cottonseed, and milk	Pound	32.0	23.2	13.4	9.8	22.2	31
Peanut butter .....	1.33 lb. peanuts	12-ounce jar	49.5	---	---	16.3	33.2	33
Salad and cooking oil .....	Soybeans, cottonseed, and corn	24-ounce bottle	61.2	54.0	37.3	16.7	44.5	27
Vegetable shortening .....	Soybeans and cottonseed	3 pounds	94.6	82.4	47.6	34.8	59.8	37
Sugar .....	Sugar beets and cane	5 pounds	67.2	29.1	1.8	5/27.3	5/39.9	5/41
Spaghetti with sauce, canned .....	Wheat, tomatoes, cheese, sugar	$1\frac{1}{2}$ -ounce can	19.1	---	---	2.1	17.0	11

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.

3/ For the bakery products group and the individual wheat products, gross farm value, byproduct allowance, net farm value, and farmer's share are based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program.

4/ Based on market price of corn received by farmers; no allowance made for price support payment received by farmers who comply with the Federal Feed Grain Program.

5/ Net farm value adjusted for Government payments to producers was 31.1 cents, farm-retail spread adjusted for Government processor tax was 37.2 cents, farmer's share of retail cost based on adjusted farm value was 46 percent.

6/ New series for 100 percent whole wheat bread which began in April 1970 is not comparable with earlier series for whole or cracked wheat bread.



Table 14.--Farm food products: Retail cost and farm value, January-March 1971, October-December 1970, January-March 1970 and 1957-59 average

Product 1/	Retail unit	Retail cost						Net farm value 2/					
		January-	October-	January-	1957-59	Percentage change:		January-	October-	January-	1957-59	Percentage change:	
		March	December	March	average	Jan.-Mar. 1971		March	December	March	average	Oct.-Dec. 1970	
		1971	1970	1970		from-		1971	1970	1970		from-	
		3/	3/	3/		October-: January-		3/	3/	3/		October-: January-	
		1970	1970	1970		1970 : 1970		1970	1970	1970		1970 : 1970	
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket .....		1,218.32	1,214.00	1,225.13	982.65	.4	-.6	465.91	448.12	506.73	387.87	4.0	-8.1
Meat products .....		361.50	366.00	377.30	285.05	-1.2	-4.2	187.17	174.63	220.10	154.47	7.2	-15.0
Dairy products .....		222.52	221.33	215.62	173.33	.5	3.2	106.97	105.86	104.80	77.85	1.0	2.1
Poultry and eggs .....		89.77	89.56	105.27	93.02	.2	-14.7	46.41	46.19	61.04	56.28	.5	-24.0
Bakery and cereal products 4/													
All ingredients .....	Average quantities purchased per urban wage-earner and	189.04	187.00	180.49	148.40	1.1	4.7	36.12	36.42	34.78	30.55	-.8	3.9
Grain .....	clerical-	---	---	---	---	---	---	26.48	26.41	25.05	23.40	.3	5.7
All fruits and vegetables .....	worker	256.25	252.58	254.35	202.96	1.5	.7	65.59	61.03	65.35	50.05	7.5	.4
Fresh fruits and vegetables ..	household	126.73	124.14	128.94	91.15	2.1	-1.7	40.81	35.77	40.39	28.70	14.1	1.0
Fresh fruits .....	in	48.88	49.07	45.73	36.26	-.4	6.9	14.38	14.67	12.31	12.26	-2.0	16.8
Fresh vegetables .....	1960-61	77.85	75.07	83.21	54.89	3.7	-6.4	26.43	21.10	28.08	16.44	25.3	-5.9
Processed fruits and vegetables .....		129.52	128.44	125.41	111.81	0.8	3.3	24.78	25.26	24.96	21.35	-1.9	-.7
Fats and oils .....		43.43	42.19	38.91	37.56	2.9	11.6	13.64	14.02	10.82	11.19	-2.7	2.6
Miscellaneous products .....		55.81	55.34	53.19	42.33	.8	4.9	10.01	9.97	9.84	7.48	.4	1.7
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef, Choice grade .....	Pound	100.3	97.4	98.2	74.4	3.0	2.1	64.9	57.9	61.4	51.3	12.1	5.7
Lamb, Choice grade .....	Pound	109.1	108.5	106.7	73.8	.6	2.2	52.9	55.8	60.1	41.9	-5.2	-12.0
Pork .....	Pound	69.2	71.3	81.8	59.8	-2.9	-15.4	30.5	28.4	48.1	31.9	7.4	-36.6
Butter .....	Pound	87.8	87.5	85.6	73.2	0.3	2.6	63.3	62.5	63.8	52.6	1.3	-0.8
Cheese, American process .....	14-ounce can	52.0	51.1	49.5	32.3	1.8	5.1	22.8	22.7	22.2	14.2	0.4	2.7
Ice cream .....	gallon	85.4	85.3	83.3	84.2	.1	2.5	29.1	28.6	28.8	21.0	1.7	1.0
Milk, evaporated .....	14-ounce can	19.3	19.3	18.1	14.5	---	6.6	9.0	8.8	8.9	6.2	2.3	1.1
Milk, fresh .....													
Home delivered .....	gallon	66.6	66.5	64.5	50.8	.2	3.3	29.5	29.2	28.6	21.9	1.0	3.1
Sold in stores .....	gallon	58.3	58.0	57.2	46.6	.5	1.9	29.5	29.2	28.6	21.9	1.0	3.1
Chickens, frying, ready-to-cook ..	Pound	40.2	39.4	42.2	43.5	2.0	-4.7	18.5	17.1	20.1	24.4	8.2	-8.0
Eggs, Grade A large .....	Dozen	56.7	57.3	75.0	56.2	-1.0	24.4	32.9	34.5	50.2	36.1	-4.6	-34.5
Bread, white .....													
All ingredients .....	Pound	24.9	24.7	23.8	18.9	.8	4.6	3.4	3.5	3.4	3.0	-2.9	0
Wheat .....	Pound	---	---	---	---	---	---	2.6	2.7	2.6	2.4	-3.7	0
Bread, whole wheat 5/ .....	Pound	37.7	37.3	---	---	1.1	---	3.1	3.1	---	---	0	---
Cookies, sandwich .....	Pound	53.2	53.0	50.4	---	.4	5.6	5.1	5.1	4.7	---	0	8.5
Corn flakes .....	12 ounces	34.1	33.5	31.5	24.5	1.8	8.3	3.2	3.0	2.6	2.4	6.7	23.1
Flour, white .....	5 pounds	59.4	59.0	58.5	53.3	.7	1.9	20.9	21.3	20.2	18.8	-1.9	3.5
Apples .....	Pound	21.7	19.7	19.9	16.1	10.2	9.0	6.6	6.7	5.3	5.0	-1.5	24.5
Grapefruit .....	Each	14.2	15.7	14.6	10.7	-9.6	-2.7	3.0	3.4	3.0	2.7	-11.8	---
Lemons .....	Pound	32.3	32.2	31.4	18.4	.3	2.9	9.7	9.9	9.4	4.2	-2.0	3.2
Oranges .....	Dozen	86.1	94.2	80.2	66.0	-8.6	7.4	21.1	21.7	19.0	23.2	-2.8	11.1
Cabbage .....	Pound	13.0	11.9	16.4	8.7	9.2	-20.7	3.8	3.0	6.3	2.4	26.7	39.7
Carrots .....	Pound	17.3	16.6	19.6	14.5	4.2	-11.7	5.3	5.3	6.0	3.7	---	-11.7
Celery .....	Pound	17.8	18.9	20.8	15.3	-5.8	-14.4	4.1	4.8	6.3	4.4	-14.6	-34.9
Cucumbers .....	Pound	30.1	23.0	37.5	---	30.9	-19.7	8.8	8.1	15.0	---	8.6	-41.3
Lettuce .....	Head	30.6	31.7	27.5	22.6	-3.5	-11.3	13.3	9.0	7.9	6.0	47.8	68.4
Onions .....	Pound	13.1	13.5	16.3	10.1	-3.0	-19.6	3.7	3.2	7.0	3.4	15.6	-47.1
Peppers, green .....	Pound	48.5	37.8	63.2	---	28.3	-23.3	24.8	11.6	27.0	---	11.4	-8.1
Potatoes .....	10 pounds	81.7	81.6	83.8	58.3	.1	-2.5	20.5	20.1	25.0	17.8	2.0	-18.0
Tomatoes .....	Pound	45.6	41.2	44.4	30.1	10.7	2.7	21.2	15.1	16.3	10.6	40.4	30.1
Peaches, canned .....	No. 2 1/2 can	36.3	36.1	34.1	34.3	.6	6.5	6.5	6.5	5.9	6.1	---	6.8
Pears, canned .....	No. 2 1/2 can	52.5	51.3	48.5	---	2.3	8.2	12.1	12.1	8.3	---	---	39.8
Beets, canned .....	No. 303 can	19.0	18.8	18.3	---	1.1	3.8	1.3	1.3	1.4	---	---	-7.1
Corn, canned .....	No. 303 can	24.8	24.8	24.1	17.8	---	2.9	2.9	2.9	3.0	2.4	---	-3.3
Peas, canned .....	No. 303 can	26.0	25.8	24.9	21.0	.8	4.4	3.8	3.8	3.7	3.1	---	2.7
Tomatoes, canned .....	No. 303 can	22.5	22.3	20.0	15.6	.9	12.5	3.1	3.1	3.2	2.3	---	3.1
Orange juice, concentrate, frozen	6-ounce can	21.6	21.8	23.6	23.4	-.9	-8.5	6.5	7.3	9.2	8.2	-11.0	-29.3
French fried potatoes, frozen ..	9 ounces	16.4	16.4	16.5	---	---	-.6	2.5	2.7	2.7	---	---	-7.4
Peas, frozen .....	10 ounces	21.8	21.4	21.1	19.9	1.9	3.3	3.8	3.8	3.6	3.2	---	5.6
Beans, navy .....	Pound	20.3	19.4	19.2	16.3	4.6	5.7	10.5	8.9	6.3	6.9	18.0	66.7
Margarine .....	Pound	32.0	31.1	28.4	27.4	2.9	12.7	9.8	10.2	7.6	7.8	-3.9	28.9
Peanut butter .....	12-ounce jar	49.5	49.2	47.0	41.4	.6	5.3	16.3	16.9	16.1	14.1	-3.6	1.2
Salad and cooking oil .....	24-oz. bottle	61.2	59.1	53.6	---	3.6	14.2	16.7	16.8	12.4	---	-0.6	34.7
Vegetable shortening .....	3 pounds	94.6	91.5	85.5	90.4	3.4	10.6	34.8	35.8	26.5	28.2	-2.8	31.3
Sugar .....	5 pounds	67.2	66.6	63.0	54.5	.9	6.7	27.3	26.8	26.3	20.2	1.9	3.8
Spaghetti with sauce, canned .....	15 1/2-ounce can	19.1	18.9	18.1	---	1.1	5.5	2.1	2.0	2.1	---	5.0	0

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ Gross farm value adjusted to exclude imputed value of byproducts obtained in processing.

3/ Many retail cost and farm value figures have been revised for October-December 1970 and January-March 1970.

4/ For the bakery products group and the individual wheat products, the net farm value is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost equals the value of the domestic marketing certificate received by farmers complying fully with the Wheat Program.

5/ New series for 100 percent whole wheat bread which began in April 1970 is not comparable with earlier series for whole or cracked wheat bread.

Table 15.--Farm food products: Farm-retail spread and farmer's share of the retail cost, January-March 1971, October-December 1970, January-March 1970, and 1957-59 average

Product 1/	Retail unit	Farm-retail spread 2/						Farmer's share			
		January- March 1971	October- December 1970	January- March 1970	1957-59 average	Percentage change Jan.-Mar. 1971 from October-December 1970	Percentage change Jan.-Mar. 1971 from January-March 1970	January- March 1971	October- December 1970	January- March 1970	1957-59 average
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket .....		752.41	765.88	718.40	594.78	-1.8	4.7	38	37	41	39
Meat products .....		174.33	191.37	157.20	130.58	-8.9	11.0	52	48	58	54
Dairy products .....	Average quantities purchased per urban wage-earner and clerical-worker household in 1960-61	115.55	115.47	110.82	95.48	.1	4.3	48	48	49	45
Poultry and eggs .....		43.36	43.37	44.23	36.74		-2.0	52	52	58	61
Bakery and cereal products 4/		152.92	150.58	145.71	117.85	1.6	4.9	19	19	19	21
All ingredients .....		---	---	---	---			14	14	14	16
Grain .....		190.66	191.55	189.00	152.91	-.5	0.9	26	24	26	25
All fruits and vegetables .....		85.92	88.37	88.55	62.45	-2.8	-3.0	32	29	31	31
Fresh fruits and vegetables .....		34.50	34.40	33.42	24.00	.3	3.2	29	30	27	34
Fresh fruits .....		51.42	53.97	55.13	38.45	-4.7	-6.7	34	28	34	30
Fresh vegetables .....											
Processed fruits and vegetables .....		104.74	103.18	100.45	90.46	1.5	4.3	19	20	20	19
Fats and oils .....		29.79	28.17	28.09	26.37	5.8	6.1	31	33	28	30
Miscellaneous products .....		45.80	45.37	43.35	38.45	0.9	5.7	18	18	18	18
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef, Choice grade .....	Pound	35.4	39.5	36.8	26.1	-10.4	-3.8	65	59	63	66
Lamb, Choice grade .....	Pound	56.2	52.7	46.6	31.9	6.6	20.6	48	51	56	57
Pork .....	Pound	38.7	42.9	33.7	28.0	-9.8	14.8	44	40	59	53
Butter .....	Pound	24.5	25.0	21.8	20.6	-2.0	12.4	72	71	75	72
Cheese, American process .....	$\frac{1}{2}$ pound	29.2	28.4	27.3	18.1	2.8	7.0	44	44	45	44
Ice cream .....	$\frac{1}{2}$ gallon	56.3	56.7	54.5	63.2	-7	3.3	34	34	35	25
Milk, evaporated .....	$1\frac{1}{2}$ gallon can	10.3	10.5	9.2	8.3	-1.9	12.0	47	46	49	43
Milk, fresh .....											
Home delivered .....	$\frac{1}{2}$ gallon	37.1	37.3	35.9	28.9	-.5	3.3	44	44	44	43
Sold in stores .....	$\frac{1}{2}$ gallon	28.8	28.8	28.6	24.7	0	0.7	51	50	50	47
Chickens, frying, ready-to-cook ..	Pound	21.7	22.3	22.1	19.1	-2.7	-1.8	46	43	48	56
Eggs, Grade A large .....	Dozen	23.8	22.8	24.8	20.1	4.4	-4.0	58	60	67	64
Bread, white .....											
All ingredients .....	Pound	21.5	21.2	20.4	15.9	1.4	5.4	14	14	14	16
Wheat .....	Pound	---	---	---	---	---	---	10	11	11	13
Bread, whole wheat 5/ .....	Pound	34.6	34.2	---	---	1.2	---	8	8	---	---
Cookies, sandwich .....	Pound	48.1	47.9	45.7	---	0.4	5.3	10	10	9	---
Corn flakes .....	12 ounces	30.9	30.5	28.9	22.1	1.3	6.9	9	9	8	10
Flour, white .....	5 pounds	38.5	37.7	38.1	34.5	2.1	1.0	35	36	35	35
Apples .....	Pound	15.1	13.0	14.6	11.1	16.2	3.4	30	34	27	31
Grapefruit .....	Each	11.2	12.3	11.6	8.0	-8.9	-3.4	21	22	21	25
Lemons .....	Pound	22.6	22.3	22.0	14.2	1.3	2.7	30	31	30	23
Oranges .....	Dozen	65.0	72.5	61.2	42.8	-10.3	6.2	25	23	24	35
Cabbage .....	Pound	9.2	8.9	10.1	6.3	3.4	-8.9	29	25	38	28
Carrots .....	Pound	12.0	11.3	13.6	10.8	6.2	-11.8	31	32	31	26
Celery .....	Pound	13.7	14.1	14.5	10.9	-2.8	-5.5	23	25	30	29
Cucumbers .....	Pound	21.3	14.9	22.5	---	43.0	-5.3	29	35	40	---
Lettuce .....	Head	17.3	22.7	19.6	16.6	-23.8	-11.7	43	28	29	27
Onions .....	Pound	9.4	10.3	9.3	6.7	-8.7	1.1	28	24	43	34
Peppers, green .....	Pound	23.7	26.2	36.2	---	-9.5	-34.5	51	31	43	---
Potatoes .....	10 pounds	61.2	61.5	58.8	40.5	-.5	4.1	25	25	30	31
Tomatoes .....	Pound	24.4	26.1	28.1	19.5	-6.5	-13.2	46	37	37	35
Peaches, canned .....	No. 2 $\frac{1}{2}$ can	29.8	29.6	28.2	28.2	.7	5.7	18	18	17	18
Pears, canned .....	No. 2 $\frac{1}{2}$ can	40.4	39.2	40.2	---	3.1	.5	23	24	17	---
Beets, canned .....	No. 303 can	17.7	17.5	16.9	---	1.1	4.7	7	7	8	---
Corn, canned .....	No. 303 can	21.9	21.9	21.1	15.4	0	3.8	12	12	12	13
Peas, canned .....	No. 303 can	22.2	22.0	21.2	17.9	.9	4.7	15	15	15	15
Tomatoes, canned .....	No. 303 can	19.4	19.2	16.8	13.3	1.0	15.5	14	14	16	15
Orange juice, concentrate, frozen	6-ounce can	15.1	14.5	14.4	15.2	4.1	4.9	30	33	39	35
French fried potatoes, frozen	9 ounces	13.9	13.7	13.8	---	1.5	.7	15	16	16	---
Peas, frozen .....	10 ounces	18.0	17.6	17.5	16.7	2.3	2.9	17	18	17	16
Beans, navy .....	Pound	9.8	10.5	12.9	9.4	-6.7	-24.0	52	46	33	42
Margarine .....	Pound	22.2	20.9	20.8	19.6	6.2	6.7	31	33	27	28
Peanut butter .....	12-ounce jar	33.2	32.3	30.9	27.3	2.8	7.4	33	34	34	34
Salad and cooking oil .....	24-ounce bottle	44.5	42.3	41.2	---	5.2	8.0	27	28	23	---
Vegetable shortening .....	3 pounds	59.8	55.7	59.0	62.2	7.4	1.4	37	39	31	31
Sugar .....	5 pounds	39.9	39.8	36.7	34.3	.3	8.7	41	40	42	37
Spaghetti with sauce, canned	15 $\frac{1}{2}$ -ounce can	17.0	16.9	16.0	---	.6	6.2	11	11	12	---

1/ Product groups include more items than those listed in this table. For example, in addition to the products listed--Choice beef, lamb, and pork (major products except lard)--the meat products group includes lower grades of beef, the minor edible pork products, and veal.

2/ The farm-retail spread is the difference between the retail cost and the net farm value shown in table on opposite page.

3/ Many farm-retail spread figures have been revised for October-December 1970 and January-March 1970.

4/ For the bakery products group and the individual wheat products, the farmer's share is based on the market price of wheat received by farmers plus the cost of the marketing certificate to millers. This cost is returned to farmers complying with the Wheat Program.

5/ New series for 100 percent whole wheat bread which began in April 1970 is not comparable with earlier series for whole or cracked wheat bread.

U.S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE \$300



POSTAGE & FEES PAID  
United States Department of Agriculture

**NOTICE:** If you no longer need this publication, check here ☐  
return this sheet, and your name will be dropped from the mailing list.

If your address should be changed, write the new address on this sheet and  
return the whole sheet to:

Automated Mailing List Section  
Office of Plant and Operations  
U.S. Department of Agriculture  
Washington, D.C. 20250

MTS-181

MAY 1971